

## GABRIEL FELBERMAYR

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Gabriel Felbermayr, what would you suggest?

### **Gabriel Felbermayr**

Thank you, Jean-Claude, and thank you for having me. The question for this panel is if the global order is collapsing and I would say it is certainly under tremendous stress, but I do not think it is collapsing. I would like to make five points to shore up that view.

First, if you look back in history, and you started with the current one, Jean-Claude, we must acknowledge that we have seen many crises before, including tough ones. Of course, every crisis, when it strikes, it seems like the biggest we have ever had but there have been severe shocks to the global system before. For example, the unilateral withdrawal of the United States in the early seventies from the gold standard. That was a big issue and it traumatized a lot of countries including in Europe. The Bretton Woods system never was a global system truly speaking, it was a system for the first world, as we said, and the second world economies were not in it, and the third world was mostly colonized when the Bretton Woods system was engineered. I think looking back at history tells us that we have had shocks before and rather than going for disastrous disruptions, we have often seen transformations, even relatively strong ones, like the change in the early seventies out of the gold standard.

The second point I would like to make is that we should not only look at the institutions and the legal compacts. Of course, they are very important but if we look at outcomes the picture looks better. Certainly, the institutions are in trouble. For example, the WTO does not have a functioning appellate body right now, which of course is bad. The IMF has lost ground while bilateralism has gained ground over multilateralism. All that is true, but if you look at outcomes, we see a surprising degree of resilience and the data we have are somehow out of sync with much of the discussions. For example, take trade. The global 2007 – 2009 global financial crisis brought a big recession in trade and so did the Covid-19 crisis, but then the systems reconverged. Today, the latest data tell us that price adjusted trade is 10% higher at the global level than it was immediately before the onset of the Covid-19 crisis. We see that amount of resilience and I think it should give us hope.

It means, that is my third point, that the global order is not just about rules and institutions it is about the whole network of economic ties, about the resilience of a market-based global



community. I think that resilience is greater and stronger than many observers believe. We talk about the breakdown of cooperation, and I am not denying that, but we see cooperation for example in the area of international taxation; the imposition of a minimum tax was an unexpected victory. We see cooperation in the area of competition policy, so that is potentially a very difficult field but here things are not working badly. It is interesting we see cooperation precisely in those areas where we do not have much of an institutional compact. There is no world competition authority, yet we see countries cooperating in this field. I think what is really important is we do have areas where we have a convergence of views, where the epistemics are aligned. Most countries are convinced that the excessive market power of a very few players is dangerous. Most of them believe that we need financial stability and I do not think there is any doubt about that. Where we have this epistemic convergence, I think international cooperation is much easier.

My fourth point is about things that have changed, and I think establishing consensus about that is important to go forward. The first thing that has changed is that global commons matter more than ever. Despite talk of deglobalization we can see that what is happening around the world is becoming more important for our own fates. This trend will only become stronger. Of course, climate change is the number one big issue, but it goes beyond that, we have seen the pandemic and we have concerns about the quality and health of our oceans and biodiversity and we have issues about global terrorism. These are all global commons that make the world more global and require more cooperation rather than less.

I think the second important thing that will stay is that we witness divergence of preferences everywhere, not just between the big blocs but also within Europe, where the countries of Europe have diverging views of what the future should look like. We also see that in our own societies, social polarization is at the origin of the troubles we are seeing right now, for example in the United States but also in European societies.

The third thing that will stay with us is a return of geopolitics and geoeconomics. I think that the period of hyperglobalization from 1989 to 2008 is not the historical normal. It was an extraordinary interval of time, actually a very short one of not even two decades. We are going back into a situation where countries are at the same time partners, competitors but also rivals. They have to embrace a positive-sum environment that is the world of trade and finance, at the same time as a zero-sum environment that is the world of power struggles where only one can win, and a negative-sum environment where our actions could reduce global prosperity.

The fifth point I would like to touch on is what could be done and what could be the lines of agreement. I think we should focus more on outcomes than the institution and legal structure. I am not saying that the latter are not important, but outcomes are finally what matter for people, the environment, global health, etc. We focus more on what works, so this is a call for pragmatism and what works today might be very different to what worked five, 15 or 50 years ago. I think we should have a broader perspective on the institutions that matter, that is not just the IMF, the World Bank, the World Trade Organization, the World Health Organization, etc. We must bring in the big international enterprises. We need to mobilize them for the common good, public and civil society, NGOs and many more. I think we should also look at the future. We were talking about China and the United States, but what about India? As we speak, India is overtaking China in terms of its population and if it catches up in terms of GDP per capita, it



will outgrow China at some point. What about Africa? Africa will be the place with the biggest population and not far away from us. We should be talking about the future and shaping institutions that work in the future and not just the present.

The last point I would like to make here is that I think there is a minimum consensus where I do not see much divergence and that is we need transparency about policies, a dialogue and accountability in the sense that independent institutions that everyone trusts are monitoring what is going on. That is a very short list of minimum requirements, but I think if we can establish that and remove that from dispute, then we would be quite some way further.

**Jean-Claude Trichet**

Thank you very much, Gabriel. I take it that you remain confident taking everything into account with all the challenges of all kinds we have to cope with. You remain confident with what has been done in the past and what should and could be done in the future. Thank you very much indeed.